

Urlaub – Recommendation to LCGCC – improve “net metering” policy

To: Co-Chair Rep. Pricey Harrison and Co-Chair Mr. John Garrou
Cc: Tim Dodge and Mariah Matheson, NCGA Research Division
From: Ivan Urlaub, LCGCC Commissioner and Executive Director of NCSEA
Subject: Suggested legislative language for improving our State’s net metering rule

Rep. Harrison and Mr. Garrou,

As a member of the North Carolina Legislative Commission on Global Climate Change I am submitting this recommendation to make remaining improvements to our state’s “Net Metering” rule. Net metering is essentially a billing arrangement between the customer and electric utility that offers a customer greater flexibility to match their financial situation with their want to invest their money in generating renewable electricity on their home, school, church, government facility or business.

Over the past 14 years, North Carolina has evaluated and made incremental improvements through the work of the North Carolina Utilities Commission to how we allow North Carolina’s citizens and businesses to net meter their small renewable energy systems (under 1 megawatt in size). Net metering is a common policy for driving market development, investment and job creation at the local community level across a state. More than 40 U.S. states have adopted net metering rules of varying forms, most notably in our region is the state of Florida’s net metering rule.

Improving net metering would give more financial flexibility in making renewable energy investments, which will create new local jobs this year. Flexibility is most important for those utility customers who due to their personal or business financial situation may only have partial or insufficient access to affordable loans and/or other state and federal incentives for purchasing a renewable energy system. Entities that do not have a tax liability (e.g., churches, non-profits, some households, government) and those who cannot afford costly interconnection to a distant utility substation (e.g., university facilities, corporate campuses) will invest in a renewable energy system if a truly feasible net metering billing arrangement were available. NC Green Power does not allow net metered customers to participate, leaving no financially feasible option for utility customers who want to use some or all of the renewable power they generate.

To date, however, no North Carolina customer has signed up for the intended net metering rate schedule offered by their electric utility and remained on the schedule once they realized how our current net metering rule effects their financial situation. The following legislative language identifies the few remaining issues that, if addressed in legislation, would result in a significant increase in the number of customers choosing to invest in renewable energy systems in North Carolina that will create jobs and local opportunities.

Thank you and my fellow Commissioners for your consideration,
Ivan Urlaub

SECTION 1.(a) Chapter 62 of the General Statutes is amended by adding a new section to read:

"§ 62-133.11. Net metering.

(a) Definitions. – As used in this section:

- (1) 'Customer-generator' refers to a customer that has an on-site renewable energy facility, as defined in § 62-133.8 (a)(7), connected and running in parallel with a utility's distribution grid.
- (2) 'Interconnection' means connecting into a utility's transmission or distribution grid.
- (3) Net metering' means the billing arrangement by which customers realize savings from their renewable energy facility on a one kilowatt hour generated to one kilowatt hour consumed basis for a monthly billing period.

(b) Net Metering. –

- (1) All electric utilities shall offer net metering to customers with an on-site renewable energy facility, as defined in G.S. 62-133.8(a)(7), interconnected with an electric public utility's grid, provided that the generating capacity of the customer-generator's facility does not exceed 1 Megawatt.
- (2) At the end of each 12-month period, the electric public utility shall compensate the customer-generator for any excess kilowatt-hour credits at the electric public utility's avoided cost rate of electricity and capacity over the same 12-month period.
- (3) The customer-generator owns all the renewable energy certificates (RECs) associated with the renewable electricity they generate regardless of the rate schedule applied.

(c) Adoption of Rules. – The North Carolina Utilities Commission shall adopt rules to implement the provisions of this section."

SECTION 1.(b) This section is effective when it becomes law.

Comment [IU1]: This highlighted section is codification of the NC Utilities Commission's current net metering rule.

Comment [IU2]: Paying the avoided cost rate for net excess electricity generated is in line with Federal PURPA regulation and standard practice in North Carolina. Currently, renewable energy system owners who do not net meter are selling all of their electricity to their electric service provider at the avoided cost rate.

Comment [IU3]: When citizens and business decide to invest their wages in a renewable energy system, they must be able to sell the Renewable Energy Certificates (RECs) they create to achieve a reasonable "pay back" period on their system. The smallest renewable energy systems have the highest per unit cost and the installation is usually provided by local companies. The ratepayers do not pay for these RECs. It is only when a utility purchases the RECs for compliance with our State's REPS law that the cost is recovered from ratepayers under the REPS Cost Cap established by Session-Law 2007-397. Few if any net metered systems will be used by electric utilities for REPS compliance because these systems are typically too small in size to be worth their time and the transaction cost. However, these systems will have a significant benefit of local job creation, investment, and increased property and income tax revenues to local and state governments. Additionally, small net metered systems can deliver local grid benefits and are safe for utilities, as reflected in several 2008 and 2009 orders issued by the NC Utilities Commission.